

EAST AFR. PROT

59264

REC'D  
REC'D 24 DEC 15



59264-

Gov. *Caif*  
Beefield D.

Military Expenditure  
Common Charges Account.

1915

25 Nov.

Last previous Paper.

Ca  
56106

Impossible to earmark overdrafts as suggested in  
63 of Treasury Cr. of 25 Sept, & think therefore that  
proposal in Co letter to Treas. of 29 Sept is more suitable  
method of dealing with interest. Submits also a  
proposal as to payment of interest on advances &  
overdrafts since payment of £100,400 by War Office

to be done

Mr. Belfield's main point is  
that we have borrowed - from G.O. -  
more than we need and that the  
Protectorate is paying an unnecessary  
5% on the excess. He does not refer to  
the fact that the money does not  
remain idle, but I find (see CA's  
Memo. attached) that it has brought  
in considerably less than 5%. On the  
CA's figures the difference between  
the interest actually received and what  
would have been received at 5% is  
about £400, or nearly £1,000 a year.  
But there is a more important point  
behind which has escaped notice. After  
asking for her advances which would  
clear

Copy Treasury  
Copy letter to Treas. 29 Sept  
Meeting - copy above of sent - 18/11/15

Next subsequent Paper

100  
297/16 (Revenue)  
100  
2003

clear the C.A.'s overdraft, we arranged,  
 when Gov. 4/11/15 was received, for a W.O.  
 payment which would cover the whole  
 of the Common charges account, i.e. not  
 only the part represented by the overdraft  
 but also the balance, for which the Prot.  
 had found funds. [The W.O. clearly  
 welcomed this arrangement, since they  
 went out of their way to provide money  
 to adjust two sums (£125,000 + £50,000)  
 furnished in Common charges from other  
 sources]. For the future - i.e. since  
 the October - the Common charges account  
 ought to be debited with the <sup>total</sup> interest on the  
 W.O. advances (i.e. the interest will be  
 paid by C.A. out of the Prot. a/c but the  
 Prot. will be reimbursed out of the W.O.'s  
 periodical advances) and the interest  
 earned by the Prot. <sup>on</sup> balance, which have  
 now been paid, <sup>will</sup> accrue to the Prot.  
 But, as regards the period prior to October,  
 the arrangement has been that the Account  
 shall bear the interest on overdrafts  
 & <sup>on</sup> expenditure, & the Prot. has  
 therefore lost the interest on <sup>the</sup> £200,000  
 or so - which it should have had in  
 hand. To put the case another way,  
 the Prot. has borne the whole of the  
 interest <sup>on</sup> this (£200,000) part of  
 the Common charges expenditure instead  
 of only the <sup>proportion</sup> which may ultimately  
 be decided to fall on it when the

This seems to be  
 covered by Encl  
 Press/44715

Account is allocated

We must put this right, & get the W.O. & Treasury to agree that the account shall be charged with interest on the actual expenditure from the start up to Oct. last & that the amount of that interest shall be credited to the Protectorate. Any excess over the interest which the Prot<sup>o</sup> may have paid on its overdrafts will represent its interest on its surplus balances.

All we shall need for the adjustment will be a monthly statement of the C.C. A/c from the beginning. With regard to the calculation of interest due for a particular month, the Gov: is clearly right in saying that the mean of the ~~expended~~ amounts at the beginning & end of the month should be taken & not the amount on the 15<sup>th</sup> as I proposed (see lett. on To Treas: on 4/4 315).

Whatever is decided as to this, there can be no harm in part of the C.A.'s balance (which as I have shown represents E.A.P. cash & not an excess advance by W.O.) being transferred to Transit, where it will avoid Bank charges in regard of earning interest here.

The generally stationary character of Mr. Antikow's figures shows that the

provisional arrangement by which 60.  
pounds £100,000 a month is about right.

? Send copy of the despatch to Treasury

& put the suggestion I have made to them

copy of <sup>our letter</sup> despatch & send copy to W.O.

and send CA <sup>our</sup> letter on 53378 as  
to reporting what they did in the matter  
of the £125,000 loan redemption.

W.C.A. 31.12.15

S.P. <sup>over</sup>

at once.

W. J. R.

W. J. Stephenson

Two Road

1/16

Since the date of my letter (which have  
produced no reply from Treas<sup>r</sup> or W.O.), the  
questions of (a) issues to the Imperial Paymaster  
through Gov<sup>t</sup> of E.A.P. (b) W.O. contribution to  
cost of A.A.R. (c) "Concessions" paid by  
C.A. in England (d) Cost of the House have  
come up in one form or another, I have  
tried, in the annexed memo. & statements (based on  
assumed figures), to show how these factors can  
be taken into account. No doubt the statements  
are not in the form which an Accountant would  
choose, but I think it is fairly clear that  
without much difficulty or complication we  
can make the Concessions Charge Account stand  
on its own feet and arrive at a reconciled  
account as between the E.A.P. & the W.O.  
which will be perfectly fair to both.

If it is thought worth while, I will  
send my memo. to the Treasury. C.O. 128  
possibly in supplement of one before, but  
in any case it may serve to fix the ideas  
in subsequent correspondence.

C.O. 5/20/6

120  
WHITEHALL GARDENS,  
S.W.

30 Dec. 1915

Mr. Bottomley

In answer to your  
note of the 29<sup>th</sup> instant  
I enclose a statement  
showing the money  
which we have employed  
at interest on a/c of  
East Africa since  
the 11<sup>th</sup> Dec.

The

final figure of £240,000  
will be reduced on the  
31<sup>st</sup> inst. to £180,000

J. H. W.

# East Africa

Statement showing amount raising Interest Rate of Interest

Amount	From	To	No of days	Rate %	Remarks
1000	Oct 11	Oct 12	1	4 $\frac{1}{4}$	
1000	do	12 do	15	3	} 43 000 at 4 $\frac{1}{2}$ % 190 000 at 4 $\frac{1}{2}$ %
	do	15 do	20	5	} 73 000 at 4 $\frac{1}{2}$ % 190 000 at 4%
	do	20 do	26	6	} 43 000 at 4 $\frac{1}{2}$ % 190 000 at 4 $\frac{1}{2}$ %
5000	do	26 do	29	3	} 73 000 at 4 $\frac{1}{2}$ % 142 000 at 4 $\frac{1}{2}$ %
5000	do	29 do	3	5	} 63 000 at 4 $\frac{1}{2}$ % 142 000 at 4 $\frac{1}{2}$ %
20000	do	3 do	4	1	} 60 000 at 4 $\frac{1}{2}$ % 142 000 at 4%
4000	do	4 do	5	1	4
4000	do	5 do	10	5	4
55000	do	10 do	15	5	4
35000	do	15 do	17	2	4
	do	17 do	18	1	4 $\frac{1}{4}$
20000	do	18 do	22	4	4 $\frac{1}{4}$
35000	do	22 do	26	4	4 $\frac{1}{2}$
45000	do	26 Dec	3	4	4 $\frac{1}{4}$
10000	Dec	3 do	6	3	4 $\frac{1}{4}$
10000	do	6 do	15	9	4 $\frac{1}{4}$
90000	do	15 do	17	2	4 $\frac{1}{4}$
45000	do	17 do	21	4	4 $\frac{1}{2}$
40000	do	21 do	30	9	4 $\frac{1}{4}$

Xo P





59264  
REC  
GOVERNMENT HOUSE  
NAIROBI

131

BRITISH EAST AFRICA

EAST AFRICA PROTECTORATE

CONFIDENTIAL No. 121

30  
November 25th, 1915

205/112

Sir,

Recs  
44315

I have the honour to acknowledge the receipt of your Confidential despatch of the 20th of September on the subject of the issue by the War Office of an advance of £1,040,000 in respect of the common charges account of military expenditure in the East Africa Protectorate in order to cancel the existing overdraft on the Protectorate's account with the Crown Agents for the Colonies.

Recs  
44315

It has not been found possible to earmark the overdrafts as suggested in the third paragraph of the Treasury letter of the 25th of September, and I am therefore of opinion that the proposal contained in Mr. Read's reply of the 29th idem is the most suitable method of dealing with the interest.

THE RIGHT HONOURABLE

ANDREW BONAR LAW, P.C., M.P.,

SECRETARY OF STATE FOR THE COLONIES,

DOWNING STREET, LONDON, S. W.

I understand this proposal to mean that the Protectorate will in the first instance pay all the interest on overdrafts, prior to the date of the payment made by the War Office to the Crown Agents, and recover from the "Common Charges" Account at the rate of 5% on the actual expenditure incurred. I consider that it would be preferable to calculate the interest on the increased expenditure at the end of each month for half the period of that month, rather than from any fixed date.

3. This expenditure on Common Charges began at the outbreak of war, and thus for the month of August 1914 interest should be calculated for 13½ days at the rate of 5% per annum on the total expenditure at the close of the month. The cost of remittances is also being debited to Common Charges.

4. The amount of £1,010,400, advanced by the War Office to the Crown Agents at the end of September, based on the estimate of expenditure up to the 31st of August, including outstanding liabilities, will involve larger payments in respect of interest than is absolutely necessary. The sum of 1,800,000 should have been more than sufficient to cancel the existing overdraft and provide

funds

funds to carry on until the middle of October. I feel, therefore, entitled to assume that it is not convenient that small sums should be advanced from time to time with a view to reducing to a minimum the interest chargeable to this account, and that there will always be a substantial balance in the hands of the Crown Agents. I propose, therefore, to draw on the Crown Agents in order to maintain a credit balance of £20,000 locally with the National Bank of India, which is charging 5% on the amount by which the Protectorate balances fall short of that sum, instead of continuing the existing procedure of waiting until the overdraft has accumulated to £20,000.

5. These charges could at once have been curtailed if the intimation of the payment by the War Office had been communicated to me by telegraph, and I foresee some difficulty in allocating those which have been incurred between the time of the payment and the present date. I consider that it would be unfair to the Protectorate that the arrangements detailed in paragraph 2 of this despatch, regarding the payment of interest prior to the payment by the War Office,

Office, should be applied to the period now in question, and I propose therefore that all interest on advances and overdrafts, from the date on which the sum of £1,010,400 was paid to the Crown Agents, should in the first instance be debited to the "Common Charges" Account, and that recovery should be effected from the Protectorate in a similar manner to that set forth in paragraph 2 of this despatch, at the rate at which interest is charged on the sum of £232,000 advanced by the Treasury to meet the share of this Protectorate, namely 3½% on each £95 advanced.

I have the honour to be,

Sir,

Your humble, obedient servant,

*Alonwy Bejiad.*

GOVERNOR.



\$1,010,400 advanced by the  
G.O. over the amount of  
the Protectorates' overdraft  
at the date of the advance,  
which the Gov. refers in  
para 24 of the despatch,  
is due to the fact that  
the account had been  
financed not only by  
overdrafts but also from  
the Protectorates' surplus  
balances, which were set  
free when the advance  
was received from the G.O.

With regard to the Governor's  
remark that the arrangement  
has involved the payment  
of higher interest charges  
than <sup>were</sup> ~~are~~ necessary, I am  
to observe that the surplus  
in the hands of the G.O. for  
the Colon has been placed  
at interest at rates  
varying from 4 to 4 1/2 per  
cent.

3. Their Lordships will  
observe that it has not  
been thought desirable to  
the various overdrafts  
incurred by the Protectorates  
G.O., and it will be

necessary, in accordance  
with your letter under  
reference, to debit the  
account with interest at  
5 per cent. on the actual  
expenditure, and as  
Borneo law considers that,  
as the Prot. is already  
out of pocket to the extent  
of this interest, whether by  
reason of the interest which  
it has paid or overdrafts  
or by reason of the loss of  
interest on its surplus

balances, repayment to  
the Protectorates  
should be made, as soon  
as the interest can be  
computed, out of the G.O.  
advance to the  
Colonial Charges Act, to the  
Protectorates. The Governor's  
proposal that interest  
on the increased expenditure  
at the end of each month  
shall be calculated for half  
the period of that month  
occurs preferable to the  
resolution of the 15<sup>th</sup> of the  
month.

4. With regard to the period during which the Account has been ~~for~~ <sup>and</sup> will be financed by the War Office, it would appear convenient to debit the Account in the same way with interest on the amount of the expenditure (including the sum repaid to the War Office by way of interest) from time to time. It is to be presumed that the War Office will not require the interest to be paid to the War Office periodically since the day when credit may be made by a corresponding increase of the War Office advances.

5. In this way the Commission's Charges Account will be complete in itself, and when the time comes for allocating it there will be no difficulty in determining the allocation to each showing making the calculation when the basis of allocation has been determined. A note showing the nature of the calculation ~~is~~ <sup>is</sup> enclosed with this

letter for convenience

DRAFT

to As, however, it is included  
 that the account shall  
 always be kept in favor by the  
 principal to the advances,  
 it will usually be found  
 when the monthly accounts  
 are available that the (W.P.)  
 advances for particular  
 months are in excess of  
 the actual expenditure  
 for that month (the  
 mean of the figures at  
 the beginning & end of the  
 month being taken in  
 each case). This excess  
 will be small, but as the  
 People will have had  
 the use of the money, one  
 adjustment <sup>no doubt</sup> will be  
 necessary. The Federalists  
 do not pay a true excess  
 interest on the loan, so of  
 the rate, at which it has  
 money at interest during  
 that month, or, if it has no  
 money at interest, at 5 per  
 cent. Conversely, if it is



found that in any month that the expenditure has been greater than the W.O. advances, (so that the Protectorate will have financed the A/C to a certain extent during that month), interest should be paid to the Protectorate by the W.O. at the rate of the rate at which the Post<sup>2</sup> has overdrafts (including any War Office advances obtained since the 1<sup>st</sup> of October last) current during that month in question, or, if it has no such overdrafts, at 5%. These transactions will be between the W.O. and the Protectorate and will not affect the Common Charges Account, and they will not be taken place until audited monthly statements of the Common

7. The Money Law considers that the arrangements suggested in this letter are the simplest which can be devised consistently with the objects that he has in view, namely, to keep the Common Charges Account distinct from the Protectorate finances and to avoid as far as possible any loss either to the W.O. or the Protectorate arising from differences existing from time to time between the amount of the Common Charges expenditure and the Protectorate War Office advances.

should have been by

8. The Governor's proposal at the end of para. 5 of his despatch, to keep sufficient funds at hand to avoid the necessity for buying a trust

C. the National Bank of  
India appear to concern  
the Protector only, and  
it will be addressed

I have called the  
copy of the letter and  
the envelope has been  
sent to the War Office

J. L. ...

W.

~~Yours & Ours~~ ~~SAC~~ ~~509~~

Inclusion in W  
Division of Common Charges Account.

176.  
A.C.S. 4.1.19  
L. Read 7/1/16  
Dr. J. F. Fildes 10/1/16

Let  $A$  be the final amount of common expenditure and of the interest, during the first period, which it is proposed to pay to the Profits at one end of War Office advances. The total amount of the Account will therefore be  $A + I$ , in which interest,  $I$ , will be accrued up to the date of allocation. <sup>Common expenditure</sup>

If  $f$  be the fraction of the whole, <sup>Common expenditure</sup> finally adjudged to be payable by the War Office, the War Office will contribute towards the liquidation of the Account,  $f(A + p + I) + I$ , while the Profits will contribute  $(1 - f)(A + p + I)$ .

3 d/16

6358-12



11 January 1916

Sir,

In reply to your letter of 15/10/1916 (P. 1) of the 14<sup>th</sup> of October, I am directed by the Secretary General to transmit to you, the said letter, the accompanying copy of a letter, with its enclosure, which he has been sent to the Secretary in the subject of the colonial charges incurred in connexion with the Economic Charges account of those territories of military expenditure in the East Africa which cannot at present be allocated to Protectorate or Army funds. In the

DRAFT.

x 1 247593A

The Secretary  
War Office

Ans 1808/16

MINUTE.

Mr. Brockman 24/1/16

~~Mr. [unclear]~~

Mr. Read 7/1/16

Mr.

Sir G. Fiddes.

Sir H. Just.

Sir J. Anderson.

Mr. Steel-MacLellan.

Mr. Bonar Law.

For copies

To Secretary  
~~Mr. [unclear]~~

x No 59264

Ex 387C

Bonaparte will be glad  
to be informed whether the  
A.C. concurs with  
arrangements which he  
has proposed.

J. Bonaparte

Bona Law will be glad

to be informed whether the

A.C. concurs in the

arrangements which

has proposed.